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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 000501

SIPDIS

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TAGS: [PGOV](#) [ECON](#) [PREL](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [GOI](#) [INTERNAL](#) [ISRAELI](#) [PALESTINIAN](#) [AFFAIRS](#)

SUBJECT: SHARON BANKING ON SHAS, DISENGAGEMENT SUPPORTERS,
AND MKS' RAW SELF-INTEREST TO AVERT ELECTIONS

REF: A. TEL AVIV 230

[B](#). TEL AVIV 198

Classified By: Ambassador Daniel Kurtzer for reasons 1.4 (b,d).

[1](#)1. (C) Summary: Prime Minister Sharon's travails to gain a Knesset majority for the 2005 budget before the March 31 deadline continue to center on bringing Shas into the coalition. Two weeks of fruitless negotiations between Likud and Shas could come to a head January 30, when Sharon plans to meet Shas leader Eli Yishai to discuss Yishai's budget demands. Bringing Shas into the coalition became critical for Sharon after 13 Likud MKs threatened January 12 to withdraw their support in subsequent budget votes absent a disengagement referendum, leaving Sharon about seven votes short for passage of the budget.

[1](#)2. (C) Summary cont'd: If negotiations with Shas fail -- a determination that need not be made until well into February or even March -- Sharon could pressure some of the 13 Likud "rebels" to abandon their threat, counting on those MKs' self-interest in averting early elections. He could also co-opt support from pro-disengagement parties like Shinui and Yahad, by first gaining their support for a separate disengagement budget. Those parties may then be loathe to take the blame for Sharon's -- and disengagement's -- failure by opposing the main budget. End summary.

For Now, Sharon Lacks Majority to Pass the Budget

[1](#)3. (SBU) Prime Minister Sharon currently can count on some 54 MKs out of 120 to support the 2005 budget in the second and final readings. If he fails to acquire a simple Knesset majority for the budget before March 31, elections are required. The budget passed its first reading January 12, but, at the time, 13 Likud anti-disengagement MKs -- the so-called "rebels" -- threatened to vote against the budget in subsequent readings if Sharon does not hold a referendum on disengagement (ref A). Without those 13 votes, Sharon can only rely on budget support from the remaining 27 Likud MKs, 19 Labor MKs, five United Torah Judaism MKs, outcast Shinui MK Josef Paritzky, and maverick MKs Michael Nudelman and David Tal. The left-wing Yahad party stated in the past that it will vote against Sharon's budget, as have the Arab and the right-wing parties.

Shas Noncommittal About Joining the Coalition

[1](#)4. (SBU) After the 13 Likud rebels made their threat to oppose the budget January 12, Sharon resumed stalled negotiations with Shas to join the Likud coalition, or, at the least, support the budget. Two weeks of sporadic meetings between Shas leaders and Likud and GOI officials have stalemated over GOI resistance to Shas' demands for restoration of child allowance cuts and Shas' continued opposition to Sharon's disengagement plan. The latest Likud overture by Education Minister Limor Livnat to Shas spiritual leader Rabbi Ovadia Yosef January 25 ended inconclusively. Livnat told The Jerusalem Post January 25 that Finance Minister Netanyahu "won't give in on the child allowances, but he wants Shas in the coalition and he is willing to pay for it." Livnat offered Shas some USD 150 million in stipends for school children. Sharon reportedly will meet with Shas leader Eliyahu Yishai January 30 to discuss Shas' budget demands, including child allowances.

[1](#)5. (C) In an impromptu meeting in the Knesset cafeteria January 24, TV news reporter Raviv Drucker -- who had been "table-hopping" to speak with various MKs -- told poloff that he heard "rumors" that Sharon may offer Shas concessions on child allowances while Finance Minister Binyamin Netanyahu is away in the United States next week. Drucker assessed that it would not be hard for Sharon to reach a compromise with Shas over the budget, but that obtaining Shas' support for disengagement would be much more difficult. Shas' constituency, Drucker explained, is leaning against disengagement because the settler movement has gotten them agitated. "I've seen (the settlers) in action," Drucker emphasized, commenting that they exert "lots of pressure." MK Ronny Brizon of Shinui noted that, given Shas opposition to disengagement, it is possible that Sharon would "pay

blackmail money to Shas" in return for Shas' support for the budget -- without seeking Shas' entry into the coalition.

16. (C) Shas MK Amnon Cohen and Shas spokesperson Itzik Soudri expressed pessimism separately to poloff January 24 about chances that Shas and Likud would reach a coalition or budget agreement. Aside from the problems with child allowances and disengagement, Cohen assessed that Shas would lose votes in the next election by joining the coalition, and gain votes by staying out.

Tough Choices for Shinui

17. (C) Likud Party whip Gideon Sa'ar told the Ambassador January 26 that Likud plans to present the disengagement budget separately from the main budget before mid-February -- a deadline that the Attorney General prescribed in order to give sufficient notice to settlers due for evacuation -- and that Likud could count on pro-disengagement parties (read: Shinui) to support that budget. The Likud strategy is based on the assessment that parties which support the disengagement budget would then be hard-pressed to see Sharon's government fall by voting against the main budget. Shinui MK Eti Livni (protect) stressed to the Ambassador January 26 that Shinui will strongly oppose any billion-shekel budget deal with Shas, but she agreed that Shinui -- as a pro-disengagement party -- would have to support Sharon's separate disengagement budget. She further agreed that Shinui would find it difficult to then oppose Sharon's main budget, if its opposition would mean the fall of Sharon's government and disengagement's consequent failure. Livni conceded that, to avert elections, Shinui may be forced to provide Sharon with a safety net. Livni admitted, however, that she could not predict whether Shinui leader Tommy Lapid would follow this course of action and vote in the interest of the country, i.e. for disengagement, or, rather, vote in the narrower interest of his party.

18. (C) In separate discussions with poloff January 24, Shinui MKs Chemi Doron and Ronny Brizon also stressed that Shinui will vote against the budget -- as it had in the first reading -- but, when pressed, Brizon admitted he is unsure if his party would consider abstaining to avoid early elections. Shinui MK Ehud Rassabi told poloff January 27 that, "if it were up to him," Shinui would not allow the government to fall to ensure that disengagement advances. In response to poloff query, Rassabi opined that his views represent the majority in Shinui. Other Knesset sources believe that -- as is possible with Shinui -- Yahad might abstain in a close budget vote in order to avoid elections and thereby protect disengagement.

Rebels' Armor Cracking

19. (C) Without a budget or coalition agreement with Shas, Sharon will likely apply more pressure on the 13 Likud rebels to support the budget. According to Or Pearl, advisor to Likud rebel Ehud Yatom, at least four or five Likud rebels -- including Yatom -- have already decided to support the budget in the end. Pearl explained that while the rebels oppose disengagement, they do not want the Sharon government to fall and early elections to be held since they know that a number of Likud MKs will not be re-elected. Pearl added that Yatom had also received "tens" of calls from disgruntled Likud members after Yatom, along with the other rebels, opposed Sharon in the January 10 vote on his new coalition. Pearl commented, Likud members may oppose disengagement, but they do not want Likud MKs to oppose Sharon or the Likud coalition. Likud rebel Gilad Erdan also told poloff January 11 that the rebels would not cause Sharon to fall out of fear of new elections (ref B).

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KURTZER